



January 18, 2010

The Honorable Ben Bernanke
Chairman, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: REBUTTAL to the proposed regulations to ban yield spread premiums
(Amendments to Regulation Z (Truth in Lending) for Closed-End Credit and Home-Equity lines of Credit).

Dear Dr. Bernanke:

I would simply like to refute the letter that was sent to you from a couple U.S. Senators regarding the ban of yield spread premium. The letter drafted by Sen. Jeff Merkly (D-OR) is totally inaccurate and without merit. I do not believe the below Senators understand the concept of yield spread premium, or the housing market in general.

Sen. Christopher Dodd (D-CT)	Sen. Jack Reed (D-RI)	Sen. Charles Schumer (D-NY)
Sen. Robert Menendez (D-NJ)	Sen. Daniel Akaka (D-HI)	Sen. Sherrod Brown (D-OH)
Sen. Carl Levin (D-MI)	Sen. Claire McCaskill (D-MO)	Sen. Bob Casey (D-PA)
Sen. Mark Warner (D-VA)	Sen. Russ Feingold (D-WI)	Sen. Jeanne Shaheen (D-NH)
Sen. Barbara Mikulski (D-MD)	Sen. Benjamin Cardin (D-MD)	Sen. Sheldon Whitehouse (D)
Sen. Ron Wyden (D-OR)	Sen. Frank Lautenberg (D-NJ)	

The housing market collapse can be traced back to Wall Street and The Big Banks who wanted to profit during the housing boom. President Clinton fully opened the door for this crisis by opening up lending to pretty much anyone and especially the unqualified. The Lenders, Banks and Wall Street were the ones who came up with the Sub prime mortgage products. They were the ones who started the option arms, interest only products, stated income, stated asset products, 100% financing, 107% financing. They were the ones that allowed unqualified borrowers with horrible credit to buy a home with zero money out of pocket. These are the people we can thank for the housing boom in early and mid 2000. Unfortunately, these are the same people we can thank for the housing market crash, and our current recession.



The Lenders, Banks and Wall Street came up with these Sub prime mortgage products for one sole purpose, GREED. They wanted to cash in on the opportunity that President Clinton granted them. Opening the door to home ownership to everyone by creating these crazy mortgage products was the down fall. In the mean time, the higher interest rates allowed for higher yields which Wall Street and the Banks surely gobbled up. All the Sub prime market did was put unqualified borrowers into homes. It was only a matter of time before these borrowers defaulted. These borrowers should have never been able to purchase a home in the first place. The Lenders and Banks were coming out with 100% financing for people with 580 credit scores (horrible), and stated income loans. Who is there right mind comes up with these products?

The bottom line is yield spread premium had nothing and I mean nothing to do with this crisis. Yield spread premiums have always been a part of the mortgage industry. It actually gives customers a choice. Yield spread premiums allows a mortgage broker to get paid for originating a loan, which in turn he can pass along to the borrower by offering a zero point, zero origination fee loan. YSP can also be used to pay the borrower's closing costs, which allows for a true NO closing cost loan. Yield spread premium is Not hidden, and is always fully disclosed to the client, which Senator Merkley fails to mention.

The letter that Senator Jeff Merkley drafted lacks any true insight into what actually happened with the housing market or how to fix it. Not everyone is entitled or qualified to own a home. Senator Merkley fails to realize that the majority of people who have defaulted on their loans, should have never been in the home in the first place. I am sure Senator Merley and a lot of Senators, used the economic growth as a stepping stone to re-election in the early and mid 2000's. Now they are looking to place the blame elsewhere and throw the burden onto the mortgage broker.

Do you think these Senators stopped to think about why the housing market was booming? Why was home ownership at an all time high? Why was home values doubling? If they would have stopped to think about this, they could have and should have realized it was the sub prime mortgage products that were being offered. They could have prevented this problem by slowing the housing boom, but why would they do this, they would have looked bad in their constituents eyes. They may not have gotten re-elected.

In closing I would just like to reiterate, yield spread premium had zero affect on the housing market crash. Greed and greed alone from Wall Street, Big Banks and the



Lenders was the root of the crash. They were the ones who came up with the Sub prime mortgage products that allowed unqualified borrowers purchase homes. Banks and Lenders do NOT have to disclose there yield spread premium or service release premium. Why do mortgage brokers have to disclose every penny we earn, where a Bank does not? It is these types issues which lead to consumer confusion. If everyone had to disclose equally, we all would be better off.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey T. Hawk', with a long, sweeping horizontal line extending to the right.

Jeffrey T. Hawk
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